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OUR NEGLECT OF SOUTH-AMERICAN MARKETS.

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A RECENT article in the NORTH AMERICAN REVIEW on the international aspect of our tariff situation gives us serious food for thought as a nation. The protective policy whose aim was to make us self-sufficient has surpassed its primary object, and our growing need of a foreign market has been proclaimed to all the world in our commercial assault upon Europe.

The march of progress from East to West is an historical phenomenon familiar to all, but the returning wave which, with American enterprise on its crest, has been gathering way in the last few years is a movement so new that it has but lately awakened speculation as to its force and volume. This movement is no less a phenomenon than the former, for the logical turning-point should have been reached only when there were no new fields left to conquer, irrespective of the East and West line. Why is the American producer, upon exhausting the home market, turning the flood of product back upon Europe, the very source whose westward flow developed into the mighty river of American commerce?

The movement is phenomenal because it is rejecting the vast, unopened market of South America to storm the fortress of manufacture, not justified by the conviction that the fortress is weak, but merely on the supposition that it is vulnerable.

The elation that the American manifests at each commercial onslaught on the European stronghold is, to say the least, premature. In view of certain recent developments, it takes no prophet to predict that we are about to awake to the fact that we have been poking a sleeping enemy.

Take, for instance, the invasion of the English shoe-market. By cutting down margins to the vanishing-point, we have established a sale for shoes in England. What is the result? The English industry has taken a new lease of life; its factories are rapidly undergoing a transformation; American methods are being introduced, along with American machinery and lasts; and, with the tremendous factors of no freight and cheap labor against us, it is only a question of time when the invaded will turn the tables on the invaders.

"Well," says the American, "I sell him the machines anyway." That is true; but it brings up another point. In a flourishing city of Brazil,—a city, by the way, as advanced as any of its size in the United States—a large shoe-factory has just been equipped. It is fitted with the most modern appliances, and an employee informed me that the machinery was all American. "But how about these English name plates?" I remarked. "Oh," he answered, promptly, "it was exported from England."

I have also seen a parallel case on a South-American sugar plantation. So, even on our machinery, the English are getting a commission which, added to four thousand miles of extra freightage and the charge of the London banking toll-gate, makes one wonder what the American's margin is and whose pocket he is trying to fill.

While we are underselling our own market in Europe, rousing our competitors to desperate efforts by selling at prices we cannot maintain at home, these competitors are quietly invading fields which at present offer little opposition in the way of home production.

Any one who will read Mr. Stone's article on the tariff situation will easily convince himself that Europe has also been most thoroughly aroused to the possibilities of direct opposition to American invasion through tariff retaliation. We are awaking to find about Germany, France, Russia, Italy, Switzerland and Spain protective walls so high that the unconditioned enforcement of their tariffs would undoubtedly spell ruin to our European trade, which constitutes three-fourths of our total foreign activity. Above all, Germany is about to call our hand most emphatically, and we shall have to show it. Mr. Stone refrains from predicting whether it will prove to be reciprocity or merely "stand pat." The treaties tentative of reciprocity concluded

by our special commissioner, the Hon. John A. Kasson, were so energetically opposed by the Senate, and that not on their merits, that "stand pat" would seem to be the policy favored by that legislative body. If this course be followed consistently, it is safe to presage an entirely new phase of the tariff war in the near future,—a phase which will awaken the tardy but active interest of every American exporter through a sudden tumble in his gross receipts. In other words, the game will have passed the stage of "bluff" which Germany has been playing with success, barring the United States, ever since she startled the commercial world by passing the extraordinarily high tariff of 1902, not yet enforced.

It is patent that what brought on the tariff war was not so much our own system of protection as our tremendous assault upon European markets. The radical measure enacted by Germany in 1902 would never have passed the Reichstag save for the general hue and cry which had for its key-note the "American invasion."

The sum of our tariff situation is this: that, for the first time, we are confronted by a foreign element—concerted external pressure so determined that our position at the present date may reasonably be termed a predicament.

Before this anticlimax we may well ask ourselves whether the game was worth the candle. In the writer's opinion, and from an all-world standpoint, the answer is in the negative. While we have been fighting for crumbs amongst a horde of competitors, our most powerful rivals, under cover of a flattering general cry of dismay, are conquering new worlds much more lucrative than the old and frayed one.

Take South America, or, rather, as more befitting the scope of these remarks, Brazil. The American exporter or contractor, with surprisingly few exceptions, is at a loss to say whether this bit of the continent approximates Rhode Island or Texas in size and development. The fact is that, if you set Brazil down in the United States, from Atlantic to Pacific, you have but an insignificant trifle left over for a fringe. Throughout this tremendous stretch of territory, railroading is in its infancy, electric traction has invaded but half a dozen cities, and its population, over one-third that of South America, is practically dependent upon foreign manufacture. The English built what railroads there are;

Germans and Canadians dominate the street-railway situation; Portuguese, Spanish and Syrians hold the retail trade, and the French set the fashions in dress and thought.

As to commerce in its strict sense, the comparison in this case is odious only to the American. Nearly half the money that enters Brazil comes directly from the pocket of the American importer, and goes as directly into that of the German, English, French, Belgian, Argentine and Portuguese exporter.

Within the last three years, contracts for city improvements in the city of Rio de Janeiro alone have been given out to the amount of \$40,000,000. The American share so far is half a dozen blocks of asphalt.

The reason for this state of affairs is not far to seek. First of all, the American has no idea of "commercial geography." The only grasp he gets upon it comes to him by chance. His doctor, or his daughter, declares that three months' travel is imperative; and travel to him means the grand trunk line to Italy and back. He makes the run, and on the way he cannot resist the temptation to drop in to visit a few factories that are turning out his line of goods. He sees an article, prices it, tests it and on the quiet voyage home, after sundry calculations based on rebates, pools and what not, arrives at the conclusion that the two-cent margin is a good thing if he can send over so many thousand at a time. He decides to show the fellow over there what he can do, and thinks that is good business. Now, travel is the basis of all export trade, yet this is as far as we have gone in its application. The American, of course, heard of Brazil when he was in the primary school, but whatever he learned about it is mixed up with nursery rhymes. By his own initiative a dealer in Rio de Janeiro created a sale for American shoes, and last year his sales amounted to over five thousand pairs. The profit was two dollars on every pair. This trade is only nascent; but, to counteract it, the English have already completed a modern factory on the spot, equipped it with American machinery and imported skilled American foremen. Considering that the Brazilian protective tariff of about one hundred per cent., *ad valorem*, is thus avoided, the success of the plan is assured.

Again, the reason why the American has been completely shut out from the big Brazilian contracts and trade in general is his ignorance of conditions in out-of-the-way countries and of the

elementary methods of invasion. He glances at a consular report, and sees that bids are called for a retaining wall, a system of municipal markets or fifty miles of railroad. He writes to the consul and asks for further particulars. By the time the consul gets the letter, two months and a half at least have passed, and when he gets time he answers. On this amateur information, the contractor may send a representative. Five months have elapsed, and the representative finds the wall half built, foundations in for the markets and the railroad contracted. This is because the Englishman has his branch house on the spot. While the American is writing for particulars, the Englishman is cabling estimates.

To the American, too, all South-American credit is bad. He does not think that any South-American country can offer a safe guarantee, and he is ignorant of a fact long since weighty with Englishmen—that Brazil has never repudiated a foreign debt.

With the same lack of foresight, while the English and Germans are pushing their feelers into the most remote fields, searching out the markets where the retailer shudders at anything under fifty per cent. profit, the Americans, instead of sending out intelligent and responsible representatives, are satisfied with giving sole agencies to any firm they can get to answer their circular letters. Now, if a business man in the United States should give a Philadelphia house the sole agency for his orange-wood tooth-picks and expect large sales in Texas, his friends would have reason to doubt his mental balance. Yet, it is just such financial farce that the American method is bringing about in Brazil every day. Not long ago, a Bahia house ordered a shipment of a dozen bicycles. The shipment was seized upon arrival by order of a Rio house a thousand miles away, which held the sole agency for Brazil but never had exploited it beyond its home town.

To put the matter plainly, at the expense of repetition, the whole trouble lies in the American's ignorance of all things south of the equator. If he should decide to go down to Brazil to have a look-in and trade with the natives, he would not be quite sure whether to take a letter of credit or bright beads and red cloth. No doubt, it would stun him to have his correspondent meet him at the station with a motor-car and run him around a bit to show him the town, for all the world as if he had landed in Rochester. Yet such a thing might easily befall him in the city of S. Paulo;

and, if he asked his friend if any of the motor-cars they passed were American, he would get the answer: "No. Do you make them?"

There is another side to the situation which is daily becoming more serious. Brazil is making a noble fight for financial prosperity, and stands head and shoulders above every other South-American country in intrinsic importance. She is fast developing into a rich market, and she knows her own consequence as a big prize in the commercial race. Her long subjection to the cold shoulder of the country that should be foremost in helping her exploit her wealth is leaving its deep and lasting mark. Nothing transmits a sharper sting than the simple fact of being ignored, and the persistent indifference we are showing before the opportunities offered by this great and young sister republic is beginning to bear fruit in marked dislike. Day by day her glimmering of the better side of American character is becoming dimmed, and her eyes are fastening on those faults we least care to be known by. The protecting interest of the Monroe Doctrine is wormwood to her, for it hurts her pride of country; she feels perfectly capable of looking after her own back fences in the future, as she has in the past. So what we are wont to look upon as our generosity, she sees as interference. Slowly she is coming to hold complacent self-absorption, ill-directed aggressiveness, and increasing evidence of the "big stick" in our national policy, as the distinctive stamp of our national character.

Brazil finds in us a market for almost fifty per cent. of her total exports. She sends us yearly from six to eight million bags of coffee. It is exported by German houses; carried on English, German and Belgian ships; and paid for through London bankers. As in Brazil, so in the remaining republics south of the equator. Save where special industries have forced them to seek out American manufactures, we send them nothing but kerosene and codfish. We know them only through their international and internal embroglios: consequently, we know least of the most conservative, peaceable and promising among them.

Granted that our tariff complications have placed us in a predicament, can we not find in our position between two fires a lesson, and in the unexplored South-American market an alternative which may rapidly assume the properties of an antidote?

GEORGE A. CHAMBERLAIN.